

Washington Horse Racing Commission  
Meeting Minutes  
October 12, 2018  
9:30 A.M.

Present were: Everett Macomber, DVM, Chairman; Jeff Colliton, Commissioner; Robert Lopez, Commissioner; Representative Strom Peterson, Ex-Officio Member; Representative Joe Schmick, Ex-Officio Member; John Meader, Assistant Attorney General; Suzanne Becker, Assistant Attorney General; Doug Moore, Executive Secretary; Patty Brown, Confidential Secretary.

Item #1. Approval of the meeting minutes of September 14, 2018.

Commissioner Colliton moved to approve the minutes as submitted. Commissioner Lopez seconded the motion. Unanimously approved.

Item #2. Commissioners' report.

Commissioner Lopez said he and Mr. Moore had on September 26, met with the HBPA membership to discuss the Commissions' legislation to enter into the Interstate Anti-doping and drug testing standards Compact. Commissioner Lopez said they had explained the Commissions position and asked for their support of the legislation.

Commissioner Colliton said he would make a few comments later.

Chairman Macomber also said he would make comments later.

Item #3. Industry reports.

- a. Emerald Downs. Phil Ziegler, President, reported on the close of the 2018 race meet. He said overall on the average the meet was up; track average on handle was also up slightly. He said he expected to apply for dates for 2019 at the next meeting and expected the date request for to be very similar as this year. He reported he had worked well with everyone; the weather was great this year. He felt it had been a really successful season. He said his banquet staff is coming into their busy season.
- b. WHBPA. Pat LePley, President, also reported on Commissioner Lopez and Executive Secretary Moore's visit at their Board Meeting on September 26. He said it was the longest meeting he'd attended since being on the board. The meeting covered the recently concluded meet; he reported the partnership between horsemen and management is exceptional; he talked about the condition of race track, which was better overall, more uniform throughout the meet. He said they had spent time talking about future stakes schedules; issues about alcohol on the backside and how they might look into regulating this more or limiting it in the future. He

reported there may be some rules to come before the commission concerning a real problem about golf carts. He said towards the end of the meet they become a real problem; they've been considering using the outside of the track to bring horses down to the track particularly on the big days and they are working with management on this one. They had also spoken with Commissioner Lopez and Mr. Moore about rules they may want to bring before the Commission. There was a long discussion regarding the compact, he will comment later on this. MaryAnn O'Connell, Executive Director, said the new board members were also ratified at the meeting as well.

- c. WTBOA. Dana Halvorson, President, reported on the sales meeting they had held; a stallion auction was expanded to assist in raising more dollars for their organization. He reported sales results were up 1.5 percent. He was happy and looking forward to next year. He said their Board would be meeting next week; looking forward to a good year in 2019. He said the Breeders banquet is coming up. Anne Sweet, Editor, WRBOA Magazine said they will be taking the NW race series nominations at the end of the year.
- d. Sun Downs report. Mr. Moore reported for Shorty Martin who was unable to attend due to personal issues, but had relayed their thanks for all the support in past and the hope that the Commission can continue to do so. They are still in negotiations on the lease at Kennewick fairgrounds. They have offered to trade off part of the cost of their lease by utilizing the cost of some of the upgrades they have to make during their tenancy. They are hoping to have a lease done soon. Mr. Moore said Sun Downs is looking at the same dates as they conducted in 2018 for next year. Commissioner Colliton asked if Mr. Moore had heard anything regarding their fund raising efforts. Mr. Moore said they were put in contact with some people, but haven't heard if they've made any progress.

#### Item #4. ADW license renewal – XpressBet.

Mr. Moore presented the XpressBet 2019 license renewal application and staff recommended approval. Gene Chabrier, Vice President of Regulatory Affairs & Business Development for XpressBet was present to answer questions. Mr. Chabrier thanked the Commission and said XpressBet enjoys working with Washington. Mr. Chabrier said XpressBet had sponsored Emerald Downs Gold Cup and their recently renewed Agreement agrees to continue the sponsorship. Commissioner Lopez remarked how 14 years had gone by quickly and congratulated Mr. Chabrier on the increase in XpressBet handle. Mr. Chabrier said this seems to be a nationwide trend right now. Chairman Macomber asked if it was attributed to the economy and Mr. Chabrier said he thought that was a part of it.

Commissioner Lopez moved to approve the renewal application for XpressBet. Commissioner Colliton seconded the motion. Unanimously approved.

#### Item #5. Overview of Sports Betting – Brian Considine, Legal and Legislative Manager Washington State Gambling Commission.

Mr. Moore introduced Brian Considine, Legal & Legislative Manager, Legal & Records Unit, Washington State Gambling Commission, who gave a powerpoint presentation on Sports Gambling. The powerpoint presentation was made a part of the record.

Representative Schmick asked Mr. Considine if Oregon had lifted their ban on NCAA sites. Mr. Considine said due to the Supreme Court ruling the PASPA law (Professional and Amateur Sports Protection Act) to be unconstitutional be repealed, they will lift all prohibitions. Representative Schmick also asked how the exclusivity clause compares and contrasts. Mr. Considine said it exists under IGRA (Indian Gaming Regulatory Act) that the state can authorize any form of gambling to tribes with trust land that is permitted by any other person, organization or entity. He said without this clause, it gives tribes full access on the reservations but no ability to gamble off the reservation. Mr. Moore asked if any state currently operating and offering sports betting which also had pari-mutuel horse racing had not involved the racing industry in the new wagering. Mr. Considine said NJ, Delaware and Pennsylvania were naturally tied to their tracks; he said no state has yet exclusively placed a sports book at a race track. Mr. LePley said the he felt the racetrack was the likely place to put a sports book. Chairman Macomber asked about limits on the games offered. Mr. Considine said raffles and things that are nonprofit, exclusivity offered games, table games and machines. Chairman Macomber asked about video tournaments. Mr. Considine said yes, that is of interest to sports books, but integrity is a major concern, ripe for problems, there is a huge betting industry. Ms. Sweet asked if the Gambling Commission was working to get sports betting in Washington. Mr. Considine said no, that role is with the Legislature, they set the policy. The Gambling Commission has the regulatory role only. Jim Engstrom, owner, asked what was the impact on horse racing handle in NJ. Mr. Considine said he wasn't sure but that it had contributed.

#### Item #6. Annual review of source market fees.

Mr. Moore said in reviewing the source market fees staff recommended that there was no need to make any change at this time. Chairman Macomber asked if there were any changes in ADWs and what went to the purses. Mr. Moore said not to his knowledge, but that would be involved in the contract between the association and the HBPA.

#### Item #7. Owners/Breeders Awards Update.

Mr. Moore reviewed the totals for the 2018 distribution to owners and breeders. He noted the owners fund was down slightly from last year; the breeders awards also dropped slightly. He said the checks were out in late October early November last year and we are hoping to get them out close to the same time frame this year. Ms. Sweet asked if Emerald Downs had indicated if they would be supplementing the breeder awards this year, Mr. Moore said they have indicated they would, but didn't know to what extent.

#### Item #8. Meeting dates for 2019.

Mr. Moore said the meeting dates for 2019 would again be the second Friday of each month for 2019, the only change, due to a conflicting schedule, would be to move March 8 to March 15.

Commissioner Lopez moved to approve the Commission meeting dates for 2019 with the March 15 change. Commissioner Colliton seconded the motion. Unanimously approved.

#### Item #9. National Racing Licensing Compact – Commission representative.

Mr. Moore said a new representative needed to be appointed to represent Washington State at the ARCI meetings in Tucson, Arizona in December. Commissioner Colliton moved to appoint Commissioner Lopez. Chairman Macomber seconded the motion. Unanimously approved.

Mr. Moore asked Mr. LePley if a decision had been made by the WHBPA board regarding the National Medication Compact and could it be heard at this time. Mr. LePley said there was concern by the Board about supporting the compact. Their understanding was that this is well intentioned and are in agreement with almost everything in it; but their main concern is that Washington may not have a voice. Washington is not a large horse racing state. He said there is no decision at this time, possibly within the next two weeks. They are pretty sure this compact will blunt any federal legislation and make it moot; and it also will keep Lasix on the table. He knows for sure the Jockey Club's direction is to ban Lasix. Ms. O'Connell said there is great concern who is actually joining the compact and who will have a voice. To join now is a giant step backward for horsemen in Washington State. They need more discussions with their board; they are a little bit divided on which way to go.

Commissioner Lopez asked Mr. Moore, as far as the process with Governor's office, if any stakeholder comments have been received at this point. Mr. Moore reported that he had received no formal comments. He asked Mr. Moore to follow up with all stakeholders to get written support or non-support. He said that request legislation was being reviewed now and stakeholder input is needed. Mr. LePley said a decision will be made by end of the month. Representative Schmick said the pre-file legislation deadline is the first part of December. Mr. Moore said how much of a voice, doesn't make any difference, our vote would have the same impact as any other vote. Mr. Moore will continue to gather information for or against the legislation.

Item #10 Executive Secretary's report.

a. Wagering Recap (September 2018).

Mr. Moore reviewed the handle by date range showing to be down 4.33 percent; live race meet handle down 11.67; race year comparison overall down 6.77 percent; and for the fiscal year down 6.60 percent. Mr. Moore attributed this to five less days of live racing and 15 less total wagering days.

b. Monthly Financial Statement (August 2018).

Mr. Moore reviewed the revenues and expenditures for August 2018. Mr. Moore said less was spent than anticipated, but the August revenue earned was less than expected. Mr. Moore reported the fund balance at the end of August was \$692,804.

Mr. Moore referred to a new report that Commissioner Lopez had asked about generating last month and the new report showed breakouts of revenue collections; expenses that gives detail on how the revenues and expenditures are being allocated. Mr. Moore said this will be a new report each month.

Mr. Moore said the contract with WA State Federation of State Employees shows a salary increase of 3% on January 1, 2019; another 3% on July 1, 2019; for employees working in King County they will receive an additional 5% increase on July 1, 2019. Mr. Moore said this was not expected and not projected in our budget which would make possible cuts even more important, if the handle continues to decline. It adds an additional \$50,000 in salaries for the biennium that was not expected.

Mr. Moore reviewed the WHRC Budget Analyst's report.

Chairman Macomber asked what choices are there when the WHRC budget reaches the \$400,000 base. Mr. Moore said one option the Commission has is the ability to move the bottom line; or make cuts. Mr. Moore said the Commission may have to go to union to negotiate any cuts if it involves staff reduction or reduction of hours. Commissioner Lopez said some of the cuts had dollar amounts, we need to take a look at some of those, some are within the Executive Secretary's authority to make. Mr. Moore said he will closely monitor the fund balance and when and if the need to prepare for cuts for the next race meet; he thought that is the best time to try to make those decisions as the winter expenses are set expenses with very little room to reduce.

Item #11. Discussion Items – Commissioners.

Commissioner Lopez asked Mr. Moore if this would be the last year for Portland Meadows. Mr. Moore said he doesn't think anyone knows, he has heard it has been sold, but they are running right now.

Mr. Moore said he had written a letter in collaboration with Dr. Macomber for the Chairman's signature regarding the Commission's position on Sports Betting, to the Governor. He detailed the continuing losses to the horse racing industry and requested that the Governor not support any legislation that does not provide some compensation for the horse racing industry from sports betting. Mr. Moore said with approval this letter will be sent to the Governor's office.

Commissioner Lopez said it seems clear that the Gambling Commission is better equipped to regulate and that Horse Racing should receive some compensation which could be used to support purses. Mr. Moore said we're all losing money; all in the industry should benefit. Commissioner Lopez said we need to have a number ready; we need a percent in order to regulate properly.

Mr. LePley said they are not setting and waiting either, they are also working on a letter, to have Breeders sign as well, asking to be part of any bill that authorizes sports betting. They don't care who regulates; important to have another source of revenue.

Chairman Macomber hearing nothing further adjourned the meeting at 11:39 A.M.

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Doug Moore, Executive Secretary